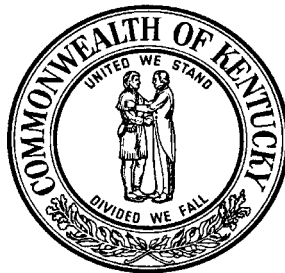


**REPORT OF THE AUDIT OF THE  
JEFFERSON COUNTY  
SHERIFF'S SETTLEMENT - 2005 TAXES**

**May 1, 2006**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**JEFFERSON COUNTY**  
**SHERIFF'S SETTLEMENT - 2005 TAXES**

**May 1, 2006**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2005 Taxes for Jefferson County Sheriff as of May 1, 2006. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$521,104,184 for the districts for 2005 taxes, retaining commissions of \$13,018,987 to operate the Sheriff's office. The Sheriff distributed taxes of \$507,365,106 to the districts for 2005 Taxes. Taxes of \$4,939 are due to the districts from the Sheriff.

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

John R. Farris, Secretary

Finance and Administration Cabinet

Honorable Jerry Abramson, Mayor, Louisville/Jefferson County Metro Government

Honorable John Aubrey, Jefferson County Sheriff

Members of the Louisville/Jefferson County Metro Council

Independent Auditor's Report

We have audited the Jefferson County Sheriff's Settlement - 2005 Taxes as of May 1, 2006. This tax settlement is the responsibility of the Jefferson County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Jefferson County Sheriff's taxes charged, credited, and paid as of May 1, 2006, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable Jerry Abramson, Mayor, Louisville/Jefferson County Metro Government  
Honorable John Aubrey, Jefferson County Sheriff  
Members of the Louisville/Jefferson County Metro Council

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2006 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
September 29, 2006

JEFFERSON COUNTY  
JOHN AUBREY, SHERIFF  
SHERIFF'S SETTLEMENT - 2005 TAXES

May 1, 2006

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 95,005,397	\$ 31,135,331	\$ 261,686,619	\$ 55,279,097
Tangible Personal Property	8,754,338	3,145,922	24,300,831	13,906,111
Intangible Personal Property				13,124,777
Increases Through Exonerations	225,774	181,485	322,819	433,459
Omitted Taxes	7,586	3,854	25,659	6,013
Franchise Taxes	7,188,476	705,832	10,589,362	
Distilled Spirits Taxes	132,938		500,520	
Additional Billings	46,208	10,876	61,891	14,853
Domestic Life Insurance	30,849			
Limestone, Sand and Mineral Reserves	419		2,047	429
Brokers Account				281,572
Bank Franchises	4,806,075			
Penalties	667,712	150,625	1,535,718	344,261
Adjusted to Sheriff's Receipt				(281,572)
Gross Chargeable to Sheriff	<u>116,865,772</u>	<u>35,333,925</u>	<u>299,025,466</u>	<u>83,109,000</u>
<u>Credits</u>				
Exonerations	523,890	65,670	758,603	671,543
Discounts	1,871,910	609,954	4,994,039	1,444,523
Delinquents:				
Real Estate	362,609	57,248	628,517	134,940
Tangible Personal Property	137,718	27,773	287,142	127,697
Intangible Personal Property				97,795
Franchise Taxes:				
Delinquent	101,024	1,751	95,481	
Uncollected	<u>47,809</u>	<u>2</u>	<u>182,341</u>	
Total Credits	<u>3,044,960</u>	<u>762,398</u>	<u>6,946,123</u>	<u>2,476,498</u>
Taxes Collected	\$ 113,820,812	\$ 34,571,527	\$ 292,079,343	\$ 80,632,502
Less: Commissions *	<u>4,837,672</u>	<u>372,956</u>	<u>4,381,190</u>	<u>3,427,169</u>
Taxes Due	108,983,140	34,198,571	287,698,153	77,205,333
Taxes Paid	108,814,200	34,178,329	287,366,624	77,005,953
Refunds (Current and Prior Year)	<u>167,837</u>	<u>20,240</u>	<u>327,695</u>	<u>199,380</u>
Due Districts as of Completion of Fieldwork	<u>\$ 1,103</u>	<u>\$ 2</u>	<u>\$ 3,834</u>	<u>\$ 0</u>

\*\*

\* and \*\* See Next Page

The accompanying notes are an integral part of this financial statement.

JEFFERSON COUNTY  
JOHN AUBREY, SHERIFF  
SHERIFF'S SETTLEMENT - 2005 TAXES  
May 1, 2006  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	195,281,476
1.5% on	\$	292,079,342
1% on	\$	33,733,365

\*\* Special Taxing Districts:

Pleasure Ridge Park	\$	<u>2</u>
Due District	\$	<u><u>2</u></u>

JEFFERSON COUNTY  
NOTES TO FINANCIAL STATEMENT

May 1, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

JEFFERSON COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 May 1, 2006  
 (Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of May 1, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2005. Property taxes were billed to finance governmental services for the year ended June 30, 2006. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 2, 2005 through May 1, 2006.

Note 4. Interest Income

The Jefferson County Sheriff earned \$739,377 as interest income on 2005 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder is to be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Jefferson County Sheriff collected \$2,512,284 of 10% add-on fees allowed by KRS 134.430(3). This amount is to be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Jefferson County Sheriff collected \$193,344 of advertising costs and \$60,420 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees are to be used to operate the Sheriff's office.

Note 7. Tax Account Surplus

The Sheriff's tax account as of May 1, 2006 consisted of the following:

	<b><u>Bank Balance</u></b>
2002 Tax Year Surplus	\$ 66,740
2003 Tax Year Surplus	93,801
2004 Tax Year Surplus	28,399
2005 Tax Year Surplus	<u>675,559</u>
	<u><u>\$ 864,499</u></u>

JEFFERSON COUNTY  
NOTES TO FINANCIAL STATEMENT  
May 1, 2006  
(Continued)

Note 7. Tax Account Surplus (Continued)

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After three years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Jerry Abramson, Mayor, Louisville/Jefferson County Metro Government  
The Honorable John Aubrey, Jefferson County Sheriff  
Members of the Louisville/Jefferson County Metro Council

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Jefferson County Sheriff's Settlement - 2005 Taxes as of May 1, 2006, and have issued our report thereon dated September 29, 2006. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jefferson County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Jefferson County Sheriff's Settlement - 2005 Taxes as of May 1, 2006 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
September 29, 2006

